

PLUMAS COUNTY ASSESSMENT PRACTICES SURVEY

AUGUST 2001

CALIFORNIA STATE BOARD OF EQUALIZATION

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August 13, 2001

TO COUNTY ASSESSORS:

PLUMAS COUNTY
ASSESSMENT PRACTICES SURVEY

JAMES E. SPEED
Executive Director
No. 2001/055

A copy of the Plumas County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Charles W. Leonhardt, Plumas County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, the assessor's response, and our comments on the response constitute the final survey report. Pursuant to Government Code section 15646, this report is distributed to the Governor, Attorney General, and State Legislature; and to the Plumas County Board of Supervisors and Grand Jury.

The BOE's County Property Tax Division performed fieldwork for this survey of the Plumas County Assessor's Office during July and August 2000. This report does not reflect changes implemented by the assessor after the fieldwork was completed.

The survey process inherently requires the interruption of normal office work routines. We thank Mr. Leonhardt and his staff for their cooperation and patience during this assessment practices survey.

These survey reports give government officials in California charged with property tax administration the opportunity to exchange ideas for the mutual benefit of all participants and stakeholders. We encourage you to share your questions, comments, and suggestions for improvement with us.

Sincerely,

Richard C. Johnson
Deputy Director
Property Taxes Department

RCJ:jm
Enclosure

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INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the enormous impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest comes from the fact that half or more of all property tax revenue are used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

The assessment practices survey program is one of the State's major efforts to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews (surveys) every county assessor's office and publishes a report of its findings. This report reflects the BOE's findings in its periodic survey of the Plumas County Assessor's Office.

Readers of previous assessment practices survey reports will note several distinct changes in the format of the report. Among other things, the previous reports commonly contained multi-part recommendations and formal suggestions. Each recommended change is now listed as a separate recommendation. Items that would have been formal suggestions under the previous format are now either recommendations or are stated informally within the text of the report. Both of these changes increase the number of recommendations in the survey reports. Accordingly, an increase in the number of recommendations from one report to the next should not lead the reader to conclude that the effectiveness of the assessor's operation has decreased.

The assessor is required by law to file with the board of supervisors a response that indicates the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly, and to the Plumas County Grand Jury. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Charles W. Leonhardt, Plumas County Assessor, elected to file his initial response prior to the publication our survey. His response is included in this report following the Appendices.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas. However, assessment practices survey reports also contain information required by law (see *Scope of Assessment Practices Surveys*) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

SCOPE OF ASSESSMENT PRACTICES SURVEYS

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor. In addition, Revenue and Taxation Code section 75.60¹ requires the BOE to certify that the county assessment roll meets a minimum assessment level. This certification may be accomplished either by conducting an assessment sample or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.

Our survey of the Plumas County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with other public agencies in Plumas County with information relevant to the property tax assessment program. Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether significant assessment problems exist, as defined in Property Tax Rule 371.

This survey report offers recommendations to help the assessor resolve the problems we have identified. The recommendations contained in this report are based on the results of our research into statutory violations, under- or overassessments, or unacceptable appraisal practices that may occur in specific areas.

An assessment practices survey is not an audit of the assessor's entire operation. We do not examine internal fiscal controls, or the internal management of an assessor's office outside those areas related to assessment.

¹ Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code.

EXECUTIVE SUMMARY

This report presents several recommendations for improvement, but it also attempts to note those program elements that are particularly effective. It highlights areas of improvement since our last assessment practices survey and acknowledges the implementation of previous recommendations.

- In our 1995 Assessment Practices Survey of Plumas County, we made 11 recommendations to address problems we found in the assessor's policies and procedures. The assessor fully implemented six of the recommended changes, three in part, and did not implement two. Most of the recommendations that were not implemented, or that were implemented in part, are repeated in this report.
- For 1999-2000, the assessor met the performance measures required by the county's contract with the State Department of Finance. Our findings are described in the section entitled State-County Property Tax Administration Program.
- While the 1998-99 assessor's budget was reduced slightly from the budget for the previous year, the assessor did not express any concerns to the survey team. And, we found no reason to believe that the budgeted monies created a significant problem for the assessor in his administration of the assessment program. In fact, after major reductions in staff in past years, the assessor's staffing has been increased to a level that approximates staffing prior to the reductions.
- During our field review, we found no significant problems in the following areas of the assessor's program: assessment appeals, disaster relief, supplemental assessments, church, religious, and welfare exemptions, declines in value, and water companies, general aircraft, and pleasure boat assessments.
- The assessor has recently installed the Megabyte computer system. After resolving initial start-up problems, this program will greatly assist the assessor in the performance of his duties. Among other things, it will greatly reduce many of the record maintenance duties that were previously performed manually.
- We noted that the assessor was using outdated BOE-prescribed forms in several instances.
- The assessor's staff does not enter the mandatory notice on the assessment roll when an escape assessment is enrolled for previous assessment years or when a penalty is enrolled for failure to file a property statement. Section 533 specifies the wording that must be placed on the current assessment roll for an escape, and Property Tax Rule 261 requires a similar notice for a non-filing penalty.
- The Plumas County Board of Supervisors has adopted a low-value ordinance for property enrolled on the unsecured roll. We found that the assessor does not apply the exemption to possessory interests, e.g., mining claims, on the unsecured roll. We recommend that the exemption be applied to all property that meets the criteria of the county ordinance.

- We make several recommendations regarding the assessor's program for the assessment of taxable possessory interests. Three of the recommendations pertain to the discovery and enrollment of all assessable possessory interests. Our final recommendation concerning taxable possessory interests is to include all of the components of value in calculating the final value conclusion.
- We found that the assessor was still not valuing properties owned by a government agency but located outside of the agency's boundaries. Therefore, we repeat our prior recommendation.
- We make two recommendations to improve the assessment of mineral properties. One concerns the assessment of unpatented mining claims; the other concerns the base year value and decline-in-value treatment of mineral reserves.
- The assessor has improved his mandatory audit program since our last survey. However, this report includes a recommendation that the assessor audit all locally assessed water companies meeting the mandatory audit criteria rather than accepting the audit performed by the California Public Utilities Commission.
- To encourage full and complete reporting among businesses, we recommend that the assessor institute a nonmandatory audit program.
- We found that the assessor was not using the BOE's recommended guide for valuing aircraft.
- Based on our recommendation in 1995, the assessor has subscribed to a nationally recognized guide for the valuation of manufactured homes. However, we found that the majority of the appraisal staff does not utilize the value guide. As a result, we renew our previous recommendation.
- Despite the problems noted above, we found that most properties and property types are assessed correctly.
- We found no significant assessment problems as defined in Property Tax Rule 371. Accordingly, pursuant to section 75.60, Plumas County continues to be eligible for recovery of costs associated with administering supplemental assessments.

Here is a list of the formal recommendations contained in this report, arrayed in the order they appear in the text.

RECOMMENDATION 1:	Use only BOE-prescribed property statements.	12
RECOMMENDATION 2:	Include the section 533 notation on the current year's assessment roll for escape assessments.....	13
RECOMMENDATION 3:	Comply with the county's low-value ordinance.....	15
RECOMMENDATION 4:	Review all private uses at the county fairground.	19

RECOMMENDATION 5:	Develop a tracking system to recognize reappraisable possessory interests.	20
RECOMMENDATION 6:	Add the present worth of unpaid future contract rents for the estimated remaining term of possession to the sales price of a possessory interest as required by Rule 25.....	20
RECOMMENDATION 7:	Identify the specific agencies that have jurisdiction of lands owned by the federal government or state government.....	21
RECOMMENDATION 8:	Enroll all taxable properties owned by government agencies that are located outside the agencies' boundaries.	21
RECOMMENDATION 9:	Enroll a taxable value for unpatented mining claims that is the lesser of factored base year value or current market value.....	23
RECOMMENDATION 10:	Follow the procedure specified in Property Tax Rule 469 when valuing mineral properties in production.	24
RECOMMENDATION 11:	Comply with Property Tax Rule 261 when applying a section 463 penalty.	26
RECOMMENDATION 12:	Audit all locally assessed water companies meeting the mandatory audit criteria of section 469.....	26
RECOMMENDATION 13:	Institute a nonmandatory audit program.	26
RECOMMENDATION 14:	Use the <i>Aircraft Bluebook-Price Digest</i> as the primary guide for valuing aircraft.	27
RECOMMENDATION 15:	Train appraisal staff to use the N.A.D.A. <i>Manufactured Housing Appraisal Guide</i> when assessing manufactured homes.	29

RESULTS OF THE 1995 SURVEY

Change in Ownership

We recommended that the assessor properly determine original transferors when excluding certain joint tenancy transfers from reappraisal. The assessor utilized a series of staff meetings to address this recommendation. The assessor's draftsman now reviews all recorded transactions to ensure accuracy.

New Construction

We recommended that the assessor revise the procedures for the valuation of parcel splits. In 1995, the assessor's policy was to add engineering fees to parcels that were split into smaller tracts of land. The assessor has adopted our recommendation and is no longer adding engineering fees as new construction.

Decline in Value

We recommended that the assessor not apply the annual inflation factor to the current market value assessments enrolled to recognize value declines below factored base year values. The assessor now has a computer system that separately calculates factored base year value and current market value. The system then enrolls the lesser of the two values.

Taxable Possessory Interests

We made a two-part recommendation for possessory interest (PI) assessments. The first part recommended that the assessor review private uses of fairground property for possible taxable possessory interests. The assessor requested a listing of all private uses at the county fairgrounds from the fair manager in 1999 but has not made the review. The second part recommended that the assessor establish a tracking system for all possessory interest accounts so that reappraisable events can be identified. A tracking system has not been developed. However, the assessor stated that he intends to have a functional tracking system before the close of calendar year 2000.

Taxable Government-Owned Property

We recommended that the assessor's staff reviews nonassessed properties for possible assessment. We found many parcels on the assessment roll that lists the owners as "USA." The assessment roll does not list the department or agency of the United States that actually holds title to the property. The assessor states he will address this issue as staffing time allows.

We also made the recommendation that the assessor's staff research and, where appropriate, appraise and enroll properties owned by government agencies when such properties are located outside the agencies' boundaries. The assessor stated that an audit of government-owned properties located outside agencies' boundaries has not been performed. At the time of this survey, the assessor relied on the knowledge of the appraisal staff to discover and assess

properties of government agencies located outside the agencies' boundaries. We repeat both these recommendations.

California Land Conservation Act Properties

Our previous survey contained a two-part recommendation. The first part recommended that the assessor adjust land rents by an appropriate amount for income generated by irrigation improvements. We find that adjustments are now being made for the additional income that is generated by irrigation improvements.

We also recommended that the assessor properly assess homesite values for lands under CLCA contracts. Previously, the assessor's staff was assigning a homesite to all CLCA property transfers even though some properties had no residences. The assessor stated that this practice has been discontinued.

Audit Program

We recommended that the assessor increase audit production and maintain an audit log. The assessor created a mandatory audit log and a schedule of appraisal dates approximately two years ago. The list consists of 17 companies that are subject to mandatory audits. The assessor stated that the log and schedule may need updating, and he and his staff will consider this issue.

We also recommended the assessor obtain a signed waiver of the statute of limitations when a mandatory audit will not be completed in a timely manner. The assessor stated that this recommendation has been implemented by requiring either a signed waiver or through a "mail-in" audit system.

Manufactured Homes

We recommended that the assessor upgrade the manufactured homes assessment program by assessing manufactured homes as personal property, supplementally assessing only those manufactured homes that had undergone a change in ownership or new construction, and considering a recognized value guide in assessing manufactured homes. The assessor has implemented the recommendations except for the use of a recognized value guide.

OVERVIEW OF PLUMAS COUNTY

Plumas County is located within the northern portion of the Sierra Nevada mountain range. It shares common borders with the counties of Shasta to the north, Lassen to the north and east, Sierra and Yuba to the south, and Butte and Tehama to the west. It was chartered as a general law county in March 1854. Plumas County's population is approximately 20,450² citizens. Quincy, an unincorporated town, is the center of Plumas County government.

Plumas County ranks 48th in total roll value when compared to the other 57 counties. It ranks 46th in total number of assessments.³ Plumas County has a rich history in lumber production, agriculture, and mineral resources.

² *California Statistical Abstract*, Total Population of California Cities, January 1, 1998 and 1999, <http://www.dof.ca.gov>

³ *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices, 1998-99*

ADMINISTRATION

Budget and Workload

Since the 1995-96 roll year, the total assessed value of county-assessed property on the assessment roll in Plumas County has increased as follows:⁴

Year	Total Assessed Value (000)	Percent Change	Statewide Percent Change
95-96	\$1,421,992	1.3	0.7
96-97	\$1,477,014	3.9	1.3
97-98	\$1,617,440	9.5	2.8
98-99	\$1,697,501	4.9	4.9
99-00	\$1,776,300	4.6	7.1
00-01	\$1,886,983	6.2	8.3

For the 1999-2000 assessment year, the Plumas County Assessor prepared an assessment roll on an approved budget of \$539,600. This represents an approximate decrease of approximately 1.4 percent from the prior year's budget. The majority of the decrease was in the Intrafund Transfer-In Funds (\$29,861), and there was a minor decrease in Retirement Benefits (\$1,101).⁵

Staffing

The assessor's office has experienced dramatic fluctuations in the number of staff because of the local budget process. All of the real property appraiser positions had been eliminated at the time the assessor took office in 1997. The office is currently staffed with the following 10 positions:

Position	Total Staff Members
Assessor	1
Office Manager	1
Auditor-Appraiser III	1
Appraiser III	1
Appraiser II	1
Appraiser I	1
Draftsperson	1
Fiscal Technical Services Assistant III	1
Fiscal Technical Services Assistant II	1
Fiscal Technical Services Assistant (Part Time)	1

⁴ State Board of Equalization Annual Reports, Table 7

⁵ 1999-00 Plumas County Budget, Unit Title – Assessor; Page 56

The assessor has requested the county board of supervisors to elevate the part-time Fiscal Technical Services Assistant to a full-time position. This change will return staffing to a level comparable to that which existed prior to the budgetary cutbacks.

The assessor may also request that the board of supervisors create a deed clerk position. The current draftsman maintains the assessor's mapping system and reviews the recorded transfers as well. In addition to the normal mapping workload, i.e., parcel splits and combinations, the assessor's office also receives a high volume of "lot-line" adjustments. Time spent by the draftsman reviewing deed transfers diminishes the time that can be utilized for mapping functions.

The assessor is presently converting the manually created mapping system to the new AutoCAD computer-generated mapping system. The assessor's staff estimates that it will take approximately five years to computerize the entire mapping system. The five-year goal is dependent upon the workload of the draftsman.

The primary purpose of the assessor's map system is to assist the assessor and his staff in locating, inventorying, identifying, and appraising taxable property. The maps also provide many beneficial uses to the public and to other governmental agencies. The addition of a deed clerk to the staff would allow the current draftsman valuable time to concentrate on conversion of the mapping system and on other mapping functions.

Procedures Manual

The assessor has produced an office procedures manual. Each member of the assessor's staff is provided with a copy of the manual.

The manual is informative and well-written. It contains information pertaining to office administration and to real property and personal property procedures. Many of the parts contain step-by-step procedures. The manual is updated as changes occur in the Revenue and Taxation Code, office policy, or announced in official correspondence from BOE concerning property tax assessment or appraisal methods and techniques.

While the policy manual is quite comprehensive, there are minor changes that should be made. For instance, the manual, in several parts, still refers to the lien date as March 1. We make additional comments in other sections of this survey.

Computer System

Plumas County uses the Megabyte Integrated Property Management System (Megabyte) developed by Megabyte Systems, headquartered in Fresno, California. This is a full tax-cycle database software that serves the county assessor's, auditor's, and tax collector's offices. Because Plumas County has only recently converted to Megabyte, they have experienced normal start-up problems.

Because the assessor is committed to incorporating Megabyte as an intricate and functional tool within the assessment program, he and members of his staff have spent considerable time in

other counties that use the Megabyte system to become familiar with the system. In addition, the assessor has had several in-house computer training sessions presented by Plumas County employees from departments other than the assessor's office.

State-County Property Tax Administration Program

Section 95.31 established the State-County Property Tax Administration Program (PTAP).⁶ This program provides state-funded loans to eligible counties for the improvement of property tax administration.

If an eligible county elects to participate, the county and the State Department of Finance enter into a written contract, as described in section 95.31. A PTAP loan is considered repaid if the county satisfies agreed-upon performance criteria set forth in the contract. The contract provides that the county must agree to maintain a base funding and staffing level in the assessor's office equal to the funding and staffing levels for the 1994-95 fiscal year. This requirement prevents a county from using PTAP funds to supplant the assessor's office's existing funding.

Presently, the BOE's only connection with the program is that a county's performance in the BOE's survey program is one of the contractual performance criteria specified in section 95.31. The BOE has no direct role in determining whether a county has met its contractual performance measures for loan repayment. In most counties, the contract provides that verification of performance is provided to the State Department of Finance by the county auditor-controller.

Plumas County participated in the PTAP during years 1995-96, 1996-97, 1997-98, 1998-99, and 1999-00. During the fiscal year 2000-01, the county borrowed \$80,606. The Plumas County Auditor-Controller has certified to the State Department of Finance that the county has met the contractual requirements for loan repayment.

Plumas County has used PTAP funds to discover escaped new construction and to purchase new computer hardware, software, and related staff training, all designed to increase the long-term productivity of the assessor's office.

⁶ Chapter 914, Statutes of 1995 (AB 818). Section 95.31 was amended in 1997, 1998, and 2000. The current official title is the State-County Property Tax Administration Loan Program.

State-Prescribed Forms

Section 452 provides that:

For the assessment year beginning in 1968 and each assessment year thereafter, the board shall prescribe in detail the content of property statements, including the specific wording, to be used by all assessors in the several counties, and cities and counties, and shall notify assessors of those specifications no later than the August 31 prior to the tax lien date on which they become effective. Each assessor shall incorporate the specifications on the exact form he or she proposes to use and submit that form to the board for approval prior to use. The property statement shall not include any question that is not germane to the assessment function.

RECOMMENDATION 1: Use only BOE-prescribed property statements.

Of the 52 prototype forms used by the assessor, 7 were not the most recently BOE-approved versions. Specifically:

- BOE-64, *Claim for Seismic Safety Construction Exclusion from Assessment*; assessor used a March 1994 version instead of the November 1998 version.
- BOE-65-PT, *Claim for Intercounty Transfer of Base-Year Value from Principal Residence Damaged or Destroyed in a Governor-Declared Disaster to Replacement Property*; assessor used a March 1995 version instead of the October 1998 version.
- BOE-263-A, *Qualified Lessors' Exemption Claim*; assessor used a 1992 version instead of the November 1998 version.
- BOE-267-L, *Welfare Exemption supplemental Affidavit, Housing – Lower Income Households*; assessor used a November 1998 version instead of the October 1999 version.
- BOE-267-R, *Welfare Exemption Supplemental Affidavit, Rehabilitation – Living Quarters*; assessor used a January 1996 version instead of the November 1998 version.
- BOE-268-A, *Exemption for Property Used Exclusively by a Public School*; assessor used a November 1997 version instead of the November 1998 version.

In addition, the assessor did not use the most current version of form BOE 63-A, *Claim for Disabled Accessibility Construction Exclusion From Assessment*.

Section 463 provides a penalty for those who are required or requested to file an annual property statement and fail to file one. In addition, section 452 provides that annually, the BOE shall prescribe the content of all property statements, including the specific wording. If the assessor uses an unprescribed property statement, then the section 463 penalty cannot legally be applied. Therefore, we recommend that the assessor use current versions of the BOE-prescribed forms.

Assessment Roll Changes

The assessor has a duty to complete the local assessment roll and deliver it to the auditor by July 1 of each year. After delivery of the roll to the auditor, the assessor cannot change an assessment unless authorized by statute or by the board of supervisors and the county counsel.

The Revenue and Taxation Code provides the legal authority for changes in the valuation of property on both the current roll and previous assessment rolls. Specific sections of the code apply to escape assessments and overassessments of taxable property. Based on our review of forms, records, and office policy manual, it is evident that the assessor processes roll corrections in an organized and efficient manner. However, the assessor does not identify parcels that are subject to escape assessments on the current assessment roll.

RECOMMENDATION 2: Include the section 533 notation on the current year's assessment roll for escape assessments.

Section 533 requires that specific wording must be entered on the roll for all escaped assessments. Currently, the assessor's staff does not enter the mandatory notice on the current year's assessment roll. The consequence of this is that the auditor is not put on notice as to whether additional interest or penalty assessments are appropriate. Therefore, we recommend that the assessor modify the enrollment program to include the required entry on the current assessment roll.

Assessment Appeals

The Plumas County Board of Supervisors sits as the local board of equalization to hear assessment appeals. During fiscal year 1998-1999, Plumas County received nine assessment appeal applications.⁷ The Clerk of the Board of Supervisors estimated that an average of 13 applications for assessment reduction are filed annually.

Primarily, the appraiser who performed the original valuation of the property makes the presentation at the equalization hearing. As a result of our interviews with the assessor's staff and our review of past assessment appeals, we found no significant problems with the assessor's assessment appeals procedures.

Disaster Relief

Section 170 authorizes a county board of supervisors to adopt an ordinance granting tax relief to owners of qualifying property that has been damaged or destroyed by misfortune or calamity. The ordinance may be limited to property located in an area proclaimed by the Governor to be in a state of disaster, or it may extend to property damaged by any misfortune or calamity. The board of supervisors may specify the period of time in which the ordinance will remain in effect. If the time period is not specified, the ordinance shall remain in effect until repealed. Section 170 requires that at least \$5,000 in damage be incurred before the taxpayer is eligible for the relief.

⁷ *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices, 1998-99*, published July 2000.

In our previous assessment practices survey, we noted that the Plumas County Board of Supervisors enacted a calamity ordinance (Sections 3-7.01 to 3-7.09 of the Plumas County Code) and that it met the requirements of section 170. We also noted that assessor's staff followed procedures in accordance with state law, and that it inspected affected properties on subsequent lien dates to track restoration efforts affecting the properties' taxable values. We found no problems with the assessor's disaster relief program.

Supplemental Assessments

Senate Bill 813, Chapter 498 of the statutes of 1983, and other statutes relating to the supplemental roll were enacted to provide additional funding for public schools and to promote equalization. These measures increase revenues by requiring the collection of increased taxes that would not otherwise become payable or a lien on the property until the subsequent lien date. A new base year value for a change in ownership or the completion of new construction is reflected on the supplemental assessment roll for the balance of the fiscal year in which the qualifying event occurs. If the event occurs between January 1 and May 31, a second supplemental assessment is also levied for the assessment roll being prepared.

Section 75.10 requires the assessor to appraise property whenever a qualifying change in ownership or assessable new construction occurs. The new value is transmitted to the auditor to be enrolled on the supplemental assessment roll together with the extended taxes or refund amount.

The newly installed Megabyte system automatically processes supplemental assessments when staff inputs new values for changes in ownership and new construction. Supplemental assessments are made and sent as an adjunct to the currently enrolled value or to the assessment roll being prepared.

Exemptions

Churches, Religious, and Welfare Exemptions

The California Constitution, article XIII, sections 3(f), 4(b), and 5 exempt or authorize the exemption of qualifying property used for religious, hospital, scientific, or charitable purposes from property taxation. The 1995 Assessment Practices Survey of Plumas County contained no recommendations regarding the assessor's processing of exemption claims or the enrollment of exempt property on the assessment roll.

The assessor's office manager processes all claims for exemption from property taxation. We found that claims for exemption are processed in a manner that follows all applicable statutory provisions and BOE guidelines.

Low-Value Property Exemption

Section 155.20 authorizes the county board of supervisors to exempt from taxation all real property with a base year value, and personal property with a full cash value, so low that the total taxes, special assessments, and applicable subventions would amount to less than the cost of

assessing and collecting them. The board of supervisors is required to establish the exemption level uniformly for different classes of property.

The Plumas County Board of Supervisors has adopted a low-value ordinance with an exemption level of \$700. The low-value ordinance applies only to property that is enrolled on the unsecured roll.

RECOMMENDATION 3: Comply with the county's low-value ordinance.

The assessor does not apply the low-value exemption to possessory interests, e.g., mining claims, enrolled on the unsecured roll. Because possessory interests are on the unsecured roll, they are subject to the low-value exemption ordinance. In many cases, the application of the low-value ordinance would reduce the assessor's workload by exempting PI's that have a value of \$700 or less.

Therefore, we recommend that the assessor comply with the low-value ordinance and apply the exemption to all qualifying properties on the unsecured roll.

ASSESSMENT OF REAL PROPERTY

The assessor's real property assessment program includes (1) revaluation of properties that have changed ownership, (2) valuation of assessable new construction, (3) annual review of properties having market values below their factored base year values, and (4) annual review of certain properties subject to special assessment provisions.

Change in Ownership

Section 60 defines a change in ownership as the transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest. As the definition indicates, the test for change in ownership is a three-way test. In order to qualify as a change in ownership, a transfer of ownership of real property must transfer a present interest in real property, as well as the right to beneficial use of the property, and the value of the property transferred must be substantially equivalent to the fee value of the property. One of the assessor's main duties is to identify and value properties that have changed ownership.

Article XIII A of the California Constitution requires that real property be assessed at the lower of current market value or factored base year value. The assessed value on the 1975 lien date or a value that results from a change in ownership or new construction is referred to as a base year value. The base year value is adjusted annually to reflect inflation as measured by the California Consumer Price Index; however, the inflation factor cannot exceed 2 percent per year. This compounded or indexed value is known as the factored base year value.

Legal Entity Ownership Program

The BOE's Legal Entity Ownership Program (LEOP) transmits a listing with supporting documentation to each assessor of legal entities reporting a change in control of the entity. The listing includes the names of the acquiring entities, the date that controlling interest transferred, the parcels involved, and whether the property is owned or leased as of the transfer date. In some cases, the BOE is unable to provide detailed information pertaining to the property's location, the assessor's parcel number, or whether the property is owned or leased. Consequently, the assessor should research each reported entity's holdings to determine that all affected parcels are identified and properly assessed.

For the period of January 1, 1994 through May 28, 1999, the assessor was notified of eight corporate changes in control. These eight changes in control affected 39 parcels. In addition, the majority of these corporate changes were reported to the assessor by the acquiring entities through the filing of business property statements (BOE 571-L). Each appraisal record that we reviewed indicated that the assessor processed the change in ownership correctly.

Change in Ownership Program

In our 1995 assessment practices survey, we recommended that the assessor properly determine original transferors when excluding certain joint tenancy transfers from reappraisal. Based on our recommendation, the assessor conducted a series of meetings with his staff regarding joint tenancy interests. The assessor and his staff reviewed and discussed several documents that have been supplied by the BOE over the past years. A review of various transfers concerning joint tenancies has indicated that the situation discovered in 1995 has been corrected.

For the 1999-2000 assessment year, the assessor's staff processed 3,961 deeds. The recorder's office provides copies of all recorded documents to the assessor's office on a weekly schedule. The draftsman reviews each deed to determine whether the transfer is an assessable event. A technician inputs the data from the deeds into the computer system. We found no problems with the assessor's change in ownership program.

New Construction

Section 70 defines newly constructed and new construction as any addition to real property, whether land or improvement (including fixtures), since the last lien date. It also includes any alteration of land or any improvement (including fixtures) since the previous lien date that constitutes a major rehabilitation thereof or that converts the property to a different use. Section 71 provides that the assessor must determine a new base year value for that portion of the property that has been newly constructed. Construction in progress is valued on the lien date each year until the construction is completed.

Obtaining and processing building permits is the primary resource available to the assessor for the discovery of assessable new construction. For this reason, the timeliness and completeness of the information received is of great importance. Section 72 provides that the permit-issuing agency must transmit building permits to the assessor as soon as possible after the date of issuance.

There are two agencies that issue building permits within Plumas County. Annually, Plumas County issues approximately 2,000 building permits, and the city of Portola issues approximately 100.

Data contained on the building permits are entered into the assessor's computer system. The assessor reviews the building permits to determine which projects will likely qualify as new construction. Those permits so qualifying are placed in the appropriate property appraisal folder. At the same time, the clerical staff creates a valuation worksheet for appraisers to use for reporting value changes. Permits that identify the new construction as repairs or maintenance are culled and given to the appraisal staff. Culled permits are field-reviewed at the discretion of the appraiser.

Appraisal folders that contain active building permits are marked with a red tag. This allows the folders to be easily identified. In addition, the Megabyte software can also generate a listing of properties that are subject for review because of building activity. Once the new construction is completed, the red tag is removed from the appraisal folder and the value is added to the assessment roll.

In our previous survey, we recommended that the assessor revise office procedures for the valuation of parcel splits. At that time it was the assessor's policy to add engineering fees as new construction to the assessed value of the newly created parcels. We recommended that the assessor end the policy and not add value to the newly created parcels unless actual assessable construction had taken place.

We found that this practice has been discontinued and that there are no problems with the assessor's program for discovering and assessing new construction.

Declines in Value

Section 51 requires the assessor, when preparing the assessment roll, to enroll the lesser of either (1) a property's factored base year value (FBYV) or (2) its current market value as defined in section 110. When a property's current market value falls below its FBYV on any given lien date, the assessor must enroll the lower value as the taxable value for the property and re appraise the property annually. If, on a subsequent lien date, a property's market value rises above the FBYV, then the assessor must restore the FBYV.

In our prior survey, we recommended that the assessor not apply the inflation factor to market values enrolled to recognize value declines. With the conversion to the Megabyte system, the assessor no longer applies the inflation factor to properties that were enrolled at a value that is less than the FBYV. Megabyte automatically factors all base year values by the state-announced inflation factor, but with decline-in-value properties, the appraisal staff manually inputs the current market values. Megabyte will then enter the lower of the two values. In addition, the Megabyte system identifies those properties that are assessed at a value that is less than the FBYV, so that in subsequent years, the inflation factor is not applied.

Plumas County has approximately 700 properties that are assessed at values that are lower than their FBYV's. The three major areas affected by declines in value are Greenhorn, Blairsden (Plumas Pines), and Graeagle Meadows. Pursuant to section 51(e), the assessor's staff, using the comparative sales approach, annually reviews each of these properties. The appraisal records were well documented with a significant amount of market information and comparable sales.

The assessor's staff uses two separate methods of tracking properties that are assessed at values that are lower than their FBYV's: (1) manual tracking and (2) electronic tracking. The assessor's staff places a small blue tag on the appraisal record file folder on each property that has experienced a decline in value. When the FBYV is restored, the blue tag is removed from the folder.

We found that the assessor's decline-in-value program is well managed.

Taxable Possessory Interests

A taxable possessory interest (PI) is the right to a private beneficial use of publicly owned real property. Section 107 requires that the possession must contain a degree of exclusiveness, independence, and durability.

For the 1997-98 assessment year, the assessor was responsible for the valuation of over 800 PI's.⁸ The assessor periodically contacts four different governmental agencies to obtain current information regarding new or transferred tenancies and for changes in annual rents.

In our previous survey, we made a two-part recommendation concerning PI's. We found several possible PI's located at the county fairgrounds that were not being assessed. We also recommended that the assessor establish a tracking system for all PI accounts. The tracking system would allow the assessor to identify reappraisable events.

We found that these two recommendations have not been implemented. Therefore, we again make recommendations that address our previous concerns. In addition, we noted other areas of the possessory interest program that require further attention to bring the program into full compliance.

County Fairground

The Plumas-Sierra County Fairground operates the fairground and runs the annual county fair in Quincy. It also provides facilities to groups and individuals, both public and private, for interim use during the rest of the year.

RECOMMENDATION 4: Review all private uses at the county fairground.

We found that there are a number of private uses of fairground land and buildings, both during and outside the normal annual fair time, that may qualify as taxable PI's. Many uses of the fairground property during the annual fair exhibit a history of recurring usage. Likewise, many of the interim users also have a history of recurring usage.

Although county fair concessionaires and exhibitors enter into short-term contracts or agreements for the right to use and occupy fairground facilities, the concessionaires and exhibitors are permitted to return each year, and many have returned for several consecutive years. Further, some concessionaires have multi-year agreements with the local fair. The assessor's staff has not assessed any of these users as holders of taxable possessory interests.

The fairground is used for dances, pet shows, a variety of dealer shows, and other uses. The typical term of usage varies from one to two days. Some of these contracts or agreements are not taxable possessory interests because they are single events with no history of recurrent usage. Other possessors may be eligible to qualify for a welfare exemption from taxation. However, it appears that a number of the interim uses at the fairground meet the standards of taxability as required in section 107.

We recommend that the assessor closely review all contracts and agreements at the fairgrounds to discover taxable possessory interests.

⁸ *A Report on Budgets, Workloads and Assessment Appeals Activities in California Assessors' Offices, 1997-98*, published June 1999. No data for Plumas County were available in July 2000 publication.

Tracking

RECOMMENDATION 5: Develop a tracking system to recognize reappraisable possessory interests.

We found that the assessor has not developed a tracking system to recognize reappraisable possessory interests as recommended in our prior survey. This may allow possessory interests that are renewed or extended to escape assessment on changes in ownership.

Section 61(b) defines a change in ownership to include the renewal and extension of a taxable possessory interest in tax exempt real property for any term. Section 61(b)(2) also provides that a renewal or extension during the term of possession used by the assessor to value the interest is not a change in ownership until the end of the term used by the assessor. The assessor appraises the possessory interest as of the date of the initial contract or agreement. However, no system is in place to review the assessment upon a renewal, extension, or termination of the term of possession used by the assessor to value the interest.

Since there is no tracking system, the assessor may be unaware of reappraisable changes in ownership that occur upon renewal, extension, or at the end of the term of possession used by him in valuing the possessory interest. In addition to possessory interests possibly escaping assessment due to changes in ownership, taxpayers may be subject to many years of additional taxes if the assessor discovers and processes escaped assessments.

Therefore, we repeat our prior recommendation that the assessor develop a tracking system to recognize reappraisable possessory interests.

Unpaid Future Rents

RECOMMENDATION 6: Add the present worth of unpaid future contract rents for the estimated remaining term of possession to the sales price of a possessory interest as required by Rule 25.

We found that the assessor does not add the present worth of the remaining unpaid rents to the sales prices of cabins located on government land. The assessor enrolls only the nominal sales prices of possessory interest residential cabins.

The transfer of the right to possess a cabin site located on government land may constitute a change in ownership. If it is a change in ownership, the assessor must determine a new base-year value for the taxable possessory interest. When the sale price of the property is used as an indicator of value, Property Tax Rule 25(a) requires that the present worth of any future unpaid rents be added to the sale price.

Therefore, we recommend that the sale price of any transferred PI be adjusted by adding the present worth of the unpaid rents to the sale price.

Identification of Government-Owned Land

RECOMMENDATION 7: Identify the specific agencies that have jurisdiction of lands owned by the federal government or state government.

The assessor's ownership file contains approximately 200 parcels for which the recorded owner is listed as the "USA." In addition, we noted 10 parcels that the file indicates are owned by the "State of California." Without knowledge of the specific agency that has jurisdiction of the lands, it is nearly impossible for the assessor to obtain vital information about any possible PI's. If the specific government agency that has jurisdiction is identified, then the assessor can periodically contact that agency to determine whether any new leases or transfers of existing leases have been entered into.

We recommend that the assessor identify the specific federal agency or state agency that owns each government-owned parcel in Plumas County to ensure PI data is up-to-date.

Taxable Government-Owned Property

Article XIII, section 3, of the California Constitution exempts from property taxation any properties owned by local governments, except as provided in section 11(a) of the Constitution. Section 11(a) provides that land, and the improvements thereon, located outside an agency's boundaries, are taxable if the property was subject to taxation at the time of acquisition. Improvements that were taxable when acquired or constructed to replace improvements that were taxable when acquired are also taxable. These lands and taxable improvements are commonly referred to as Section 11 properties.

RECOMMENDATION 8: Enroll all taxable properties owned by government agencies that are located outside the agencies' boundaries.

In our 1995 assessment practices survey we noted approximately three dozen governmental parcels that were located outside of the owning agencies' boundaries. The assessor had not assessed or identified any of these parcels as Section 11 properties. We made the recommendation that the assessor research, appraise, and enroll those taxable properties owned by government agencies and located outside their boundaries.

In our current survey, we compared parcel tax-rate area (TRA) codes against the TRA index of government-owned properties to verify whether any listed government agencies owned properties that were located outside their district boundaries. We noted that a number of parcels owned by government agencies were located outside their boundaries as defined by TRA codes, and, that these properties were not assessed as Section 11 properties. Therefore, we repeat our previous recommendation.

California Land Conservation Act Properties

A city or county, pursuant to the California Land Conservation Act (CLCA) of 1965 may establish agricultural preserves. Property owners in an agricultural preserve may choose to enter into a contract restricting the use of their lands. Lands under contract are valued for property tax

purposes on the basis of agricultural income-producing ability, including compatible use income (e.g., hunting rights). They are assessed at the lowest of the restricted value, the current unrestricted market value, or the factored base year value, as defined in article XIII A of the California Constitution. Sections 422 through 430.5 prescribe the guidelines for assessing land subject to agricultural preserve contracts.

Plumas County has 71 CLCA contracts covering 298 parcels. They comprise 73,995 acres, of which 6,736 acres is prime pasture and the remaining 67,259 acres is dry farm pasture. Plumas County also has two Farmland Security Zone (FSZ) contracts for 12 parcels, comprised of 3,287 acres. There are five CLCA parcels that are in non-renewal and no parcels in the process of cancellation.

The CLCA and FSZ programs are computerized as part of an Access program converted in 1998 from an older, in-house DOS program. The values are reviewed annually with a comparison of restricted value and factored base value completed by the computer system and a current market value analysis done by the agricultural appraiser.

Consistent with section 428, homesites are valued based on their factored base year values. Plumas County does not have agricultural laborer housing sites.

The 1995 survey included two recommendations for CLCA properties. The first recommendation was to adjust land rents by an appropriate amount for income generated by more intensive agriculture (irrigation improvements). The assessor now recognizes the increase in production for irrigated pasture, which is converted to animal unit months.⁹

The second recommendation was to properly assess homesites. The previous practice was to establish a potential homesite when a CLCA property transferred even though no residence existed, or was even proposed. Presently only homesites for existing residences are assessed when a CLCA property is transferred.

We found no problems with the CLCA assessment program.

Timberland Production Zone (TPZ)

Growing timber is subject to a severance tax imposed at the time of harvest. Privately owned land zoned TPZ is valued according to a site class schedule that is updated and announced annually by the BOE. The land value is based on the tree growing capability of the soil. This restricted value is compared to the current market value and the FBV, and the lowest value is enrolled as the taxable value. In addition to timber site value, any existing, compatible, nonexclusive uses (mines, grazing rights, hunting rights etc.) shall be assessed at current market value. However, any structures and structure site within a TPZ parcel shall be assessed at the lower of its current market or factored base year value since the structure and site are subject to article XIII A of the California Constitution.

⁹ The quantity of feed that a mature 1,000 pound cow or five mature sheep need for one month to sustain life and maintain good health.

Plumas County has 972 TPZ parcels comprising 226,215.26 acres. One hundred sixty-three parcels have existing, compatible, nonexclusive uses and 12 parcels have homesites. The TPZ program is computerized as part of an Access program converted in 1998 from an older, in-house DOS program. The values are updated annually by computer after TPZ site class values are announced by the BOE. Existing, compatible, nonexclusive uses are assessed at current market value. Homesites and improvements are valued at the lesser of the current market value or factored base year value.

We found no problems with the assessor's TPZ assessment program.

Water Companies

Water company properties may be classified as municipal district water systems, private water companies regulated or unregulated by the California Public Utilities Commission (CPUC), or mutual water companies. Each type presents different assessment problems.

Municipal Water Systems

We found that parcels owned by the municipal water systems located within city limits or district boundaries are handled correctly. The parcels are exempt from taxation under article XIII, section 3(b) of the California Constitution.

Mutual Water Companies

A mutual water company is a private association of persons created for the purpose of providing water at cost to its members or stockholders. When mutual water shares are appurtenant to the land, the value of the mutual water company is typically reflected in the value of the property served and to which the shares are attached. In such case, minimum values should be enrolled to the mutual lands, improvements, and delivery system.

Private Water Companies

Private water companies are investor-owned, for-profit utilities in the business of selling water. They are subject to regulation by the CPUC and must submit annual financial reports to the CPUC.

We found no problems with the assessor's program. However, we believe that qualifying water companies should be part of the mandatory audit program. This is discussed in the Assessment of Personal Property and Fixtures section of this report.

Mineral Properties

RECOMMENDATION 9: Enroll a taxable value for unpatented mining claims that is the lesser of factored base year value or current market value.

When valuing unpatented mining claims, the assessor uses a per-acre value that was established by a prior assessor. The value so established is factored by the article XIII A inflation factor

annually to arrive at a taxable value for all such claims. This value is used for all unpatented mining claims regardless of whether the ownership of the claim changes or stays the same.

Unpatented mining claims are a unique type of property. They are claims filed on government property. The only requirement for renewal is the payment of an annual maintenance fee and the proper filing of certain documents with the Bureau of Land Management and the county recorder. These claims may be held for many years or only a few years. The assessor feels that much of this type of mining is recreational. Claims are seldom transferred. More commonly, a claim is worked for a period of time and then abandoned. When a claim is abandoned, another individual generally files a new claim for the location.

These claims are real property subject to the limitations of article XIII A of the California Constitution. Consequently, the assessor is required to determine a base year value for all claims and a taxable value that is the lower of factored base year value or current market value. The existing practice, which places a value on these properties that, for many, is neither its factored base year value nor current market value, does not meet the requirements of the constitution. The assessor's practice could only result in a correct assessment by mere coincidence.

The proper procedure is to establish a base year value for unpatented mining claims whenever a claim changes ownership. In addition, the assessor should determine the current market value as of the lien date. An income approach to value is likely the only practical method of making a market value estimate for these properties. A typical discount rate for the mining industry is 17 to 20 percent. However, that rate is for commercial mining and might be somewhat high for unpatented mining claims. Although the task of determining current market value for unpatented mining claims may be a difficult one, it is what is required by the Constitution.

We recommend that the assessor enroll a taxable value for unpatented mining claims that is the lesser of factored base year value or current market value.

RECOMMENDATION 10: Follow the procedure specified in Property Tax Rule 469 when valuing mineral properties in production.

The assessor does not track the mineral reserves of the properties in his jurisdiction. Assessments are enrolled at the acquisition values, and these base year values are adjusted, as prescribed, by the annual inflation factor. No subsequent annual determination of current market value is made. The assessor also fails to adjust the base year value of the property to account for depletion of the mineral resource.

The proper procedure is to make an estimate of the property's proved reserves when the base year value is established. Each year, the base year value should be adjusted to reflect both the annual production of the minerals removed and any changes to reserves due to changed economic or geologic conditions. The adjusted base year value of the property should be compared to the current market value of the property and the lower value enrolled.

We recommend that the assessor follow the procedure specified in Property Tax Rule 469 when valuing mineral properties in production.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The assessor's personal property appraisal staff consists of one auditor-appraiser and a clerical staff. They are responsible for the appraisal of property in more than 1,900 commercial, industrial, and agricultural business accounts, approximately 60 general aircraft, and more than 2,000 pleasure boats.

The assessor's primary discovery tools for finding assessable business property are BOE sales tax permit reports, fictitious business name filings, and informal reports from field appraisers. There is no requirement for a general business license in Plumas County. The survey team found no problems with the discovery aspect of the business property program.

Valuation of Business Property

Taxable values of business property are calculated using historical costs and valuation factors. The valuation factors are derived from price index factors and percent good factors that measure depreciation. Accurate assessments of business equipment depend on the proper choice and application of these price index and percent good factors. The BOE annually publishes equipment price index and percent good factors in Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581). The assessor follows the guidance provided in the AH 581.

Property Statement Processing

Section 441 requires each person owning taxable personal property in excess of \$100,000 to file a signed business property statement annually with the assessor. Annual property statements form the backbone of the business and personal property assessment program. It is usually impossible for the assessor's staff to determine, with certainty, the accuracy of the statement upon its receipt. Therefore, during the review of the assessor's property statement processing activity, no attempt was made to measure the level of taxpayer compliance.

We reviewed the assessor's property statement processing procedures. The review included examination of a large sample of business property statement records. While no major problems were in evidence, it was difficult to follow the valuation process due to a lack of documentation on the appraisal records. Specifically, calculation sheets that show the reported historical cost categories and related valuation factors were not part of most records. This makes following the valuation calculations from the appraisal to the assessment roll difficult. Documentation of the valuation calculations can be a critical issue in subsequent audits or appeals for assessment reduction. The assessor should consider a policy in which a calculation sheet is printed for each account. This calculation sheet should be attached to the business property statement for reference and audit purposes.

We noted that the Megabyte data field denoting business type code was blank for many records. Like the lack of calculation sheets, this also makes tracing for audit and investigation purposes difficult. As many data fields as possible should be completed in the Megabyte database. This facilitates searches and queries for research and audit purposes.

A number of appraisal records contain business property statements and other documents that are dated beyond the statute of limitations periods referenced in section 532. Because of limited office space, the assessor may wish to consider a periodic purging of obsolete and extraneous documents from the appraisal files.

RECOMMENDATION 11: Comply with Property Tax Rule 261 when applying a section 463 penalty.

The assessor does not add the appropriate notation to the local roll when he applies a section 463 penalty. Property Tax Rule 261 requires that penalties and the appropriate notation be noted on the roll.

We recommend that the assessor add the appropriate notation as required by Property Tax Rule 261.

Audit Program

Pursuant to section 469 and Property Tax Rule 192, audits are mandatory for taxpayers reporting business tangible personal property and trade fixtures valued at a specified amount or more for four consecutive years. In Plumas County a total of 17 accounts met this criteria for the January 1, 2000 lien date. The mandatory audit level started at \$300,000 for the 2000 lien date. Subsequent to our fieldwork, the Legislature raised it to \$400,000, effective January 1, 2001.

Currently all audits are performed by correspondence, including those accounts where the records are located in the county. This correspondence audit program is current. However, we believe that the assessor should perform field audits of those accounts where the records are located in the county and consider participating in the California Assessors' Association's cooperative audit program for those accounts located outside the county. Several areas of the audit program merit a recommendation.

RECOMMENDATION 12: Audit all locally assessed water companies meeting the mandatory audit criteria of section 469.

A regulated water company meeting the mandatory value threshold has not been audited due to a misconception. Specifically, that misconception is that an audit performed by the CPUC for rate-making purposes suffices for property tax purposes. This is incorrect, as section 469 provides no such exemption.

We recommend that the assessor include qualifying private water companies in his mandatory audit program.

RECOMMENDATION 13: Institute a nonmandatory audit program.

Another area of concern is the absence of a nonmandatory audit program. A nonmandatory audit program provides a degree of assurance that business property accounts with an aggregate value below the mandatory audit threshold are reporting properly. A nonmandatory audit program sends a message to the business community that improper reporting may be discovered, thus

encouraging full and complete reporting among all businesses. It also provides assurance to the business community that the assessor is treating all taxpayers in a fair and even-handed manner.

We recommend that the assessor institute a nonmandatory audit program.

General Aircraft

Prior to the 1997 lien date, the BOE published aircraft valuation data each year in Assessors' Handbook Section 587, *Aircraft Valuation Data*. The BOE no longer publishes this handbook section. On January 8, 1997, the BOE approved the *Aircraft Bluebook Price Digest* as the primary guide for valuing aircraft. As stated in LTA 97/03, the BOE further directed that the listed retail values shall be reduced by 10 percent to provide reasonable estimates of fair market values for aircraft in truly average condition on the lien date. In any instance, appropriate adjustments to the reference value should be made to estimate fair value for the local market.

RECOMMENDATION 14: Use the *Aircraft Bluebook-Price Digest* as the primary guide for valuing aircraft.

The assessor uses software produced by *Vref Reference Services* to value general aircraft, because this software is approximately half the cost of the *Aircraft Bluebook-Price Digest* software. While this is the secondary source for valuation information as cited in LTA 97/03, the BOE clearly stated that the primary valuation guide is the *Aircraft Bluebook-Price Digest*.

We recommend that the assessor use the *Aircraft Bluebook-Price Digest* as the primary guide for valuing aircraft.

Vessels

Plumas County contains several large lakes and reservoirs, making water sports an attractive activity during a large part of the year. This accounts for the relatively large boat population of nearly 2,000 pleasure craft.

The assessor extracts registration data from the Department of Motor Vehicles (DMV) database to ascertain the mailing addresses of owners and vessel types. The historical cost stated in the DMV record must be adjusted annually to reflect the depreciation that normally affects pleasure boats. To this end, the assessor performs an analysis of depreciation rates using BOE-recommended appraisal guides. A typical depreciation rate is determined for two vessel types in the county: "personal watercraft" and "all others." This depreciation rate is applied to the previous annual assessed value to arrive at the current annual market value estimate.

A value notice is mailed to each boat owner. The value notice also requests that the boat owner provide the assessor with any information that may alter the valuation. The practices of the assessor in the area of vessel valuation are adequate.

Manufactured Homes

Under current law, a manufactured home is subject to local property taxation either because it was first sold new on or after July 1, 1980, or because the owner voluntarily requested conversion of a pre-1980 manufactured home from vehicle license fee to local property tax. Sections 5800 through 5842 prescribe how manufactured homes must be valued and assessed.

Part 13, of Division 1 of the Revenue and Taxation Code, which deals with manufactured housing, was extensively modified in 1991. Prior to this modification, the assessor had discretionary powers as to the classification of manufactured homes as to whether the homes were fixtures or personal property. As of 1992, section 5801(b) provides that the assessor must classify a manufactured home as personal property unless it is placed on a permanent, approved foundation system pursuant to section 18551 of the Health and Safety Code. Once a manufactured home is placed on a permanent foundation system, it must be classified as a structure (real property) and is no longer considered a manufactured home.

Sales prices of manufactured homes located on rented or leased land frequently include increments of value attributable to factors other than the manufactured home, such as location, associated accessories, buildings, structures, and items of personal property. Section 5803(b) specifically provides that the assessed value of a manufactured home located on rented or leased land is not to include any value attributable to the particular site where the manufactured home is located.

In determining the full cash value of a manufactured home on rented or leased land, the assessor, pursuant to section 5803, must take into consideration, among other relevant factors, sales prices listed in recognized value guides for manufactured homes. Recognized value guides include, but are not limited to, the *Kelley Blue Book Manufactured Housing Guide* and the N.A.D.A. *Manufactured Housing Appraisal Guide* (NADA).

There are 118 manufactured home parks within Plumas County. We previously recommended that the assessor upgrade the manufactured home program to:

- Assess manufactured homes as personal property;
- Supplementally assess only those manufactured homes that had undergone a change in ownership or new construction; and
- Consider the value estimate indicated by a recognized value guide in assessing manufactured homes.

The assessor has implemented our recommended improvements except for one. Consequently, we repeat that recommendation.

RECOMMENDATION 15: Train appraisal staff to use the N.A.D.A. *Manufactured Housing Appraisal Guide* when assessing manufactured homes.

Only one appraiser has been trained to use the NADA. The remaining appraisal staff uses original acquisition cost, contract cost, and comparative sales prices to determine the taxable value of manufactured homes. With the exception of using a value guide, the other valuation techniques may include “site value” or “in-park” location influences.

We recommend that the assessor train his appraisal staff in the use of the NADA.

APPENDICES

A: County Property Tax Division Survey Group

Plumas County Assessment Practices Survey

Chief, County Property Tax Division

Charles Knudsen

Survey Program Director:

Gene Palmer

Principal Property Appraiser

Survey Team Supervisor:

Arnold Fong

Supervising Property Appraiser

Survey Team Leader:

James D. Lovett

Senior Specialist Property Appraiser

Survey Team:

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

John Corum

Senior Specialist Property Auditor Appraiser

Andy Anderson

Associate Property Appraiser

Bob Marr

Associate Property Appraiser

Rod Miyatake

Associate Property Appraiser

Julius Trujillo

Tax Technician II

B: Relevant Statutes and Regulations**Government Code****15640. Survey by board of county assessment procedures.**

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

15641. Audit of Records; Appraisal Data Not Public.

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

15642. Research by board employees.

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

15643. When surveys to be made.

- (a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.
- (d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

15644. Recommendations by board.

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

15645. Survey report; final survey report; assessor's report.

- (a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.
- (b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.
- (c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

15646. Copies of final survey reports to be filed with local officials.

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

Revenue and Taxation Code**75.60. Allocation for administration.**

- (a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6(commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.
- (b) For purposes of this section:
- (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
 - (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
 - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
 - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
 - (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.

Title 18, California Code of Regulations**Rule 370. Random selection of counties for representative sampling.**

- (a) **SURVEY CYCLE.** The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) **RANDOM SELECTION FOR ASSESSMENT SAMPLING.** The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
 - (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
 - (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.
 - (3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.
- (c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.
- (d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

Rule 371. Significant assessment problems.

- (a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, “significant assessment problems” means procedure(s) in one or more areas of an assessor’s assessment operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:
 - (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
 - (2) the sum of all the differences between the board’s appraisals and the assessor’s values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor’s entire roll, exceeds 7.5 percent of the assessment level required by statute.
- (b) For purposes of this regulation, “areas of an assessor’s assessment operation” means, but is not limited to, an assessor’s programs for:
 - (1) Uniformity of treatment for all classes of property.
 - (2) Discovering and assessing newly constructed property.
 - (3) Discovering and assessing real property that has undergone a change in ownership.
 - (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
 - (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
 - (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
 - (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
 - (8) Discovering and assessing property that has suffered a decline in value.
 - (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.
- (c) A finding of “significant assessment problems,” as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor’s practices.

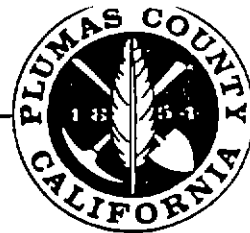
ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the BOE a response to the findings and recommendation in the survey report. The survey report, the assessor's response, and the BOE's comments on the assessor's response, if any constitute the final survey report.

The Plumas County Assessor's response begins on the next page. The BOE's comments on the response begin on the next numbered page, following the assessor's response.

PLUMAS COUNTY ASSESSOR

520 MAIN ST., ROOM 205 • QUINCY, CA 95971 • (530) 283-6380 • FAX (530) 283-0946



CHARLES W. LEONHARDT
ASSESSOR

July 10, 2001

Mr. Charles Knudsen, Chief
County Property Taxes Division
State Board of Equalization
P.O. Box 942879
Sacramento, Ca. 94279-0062

RECEIVED
JUL 13 2001
County Property Tax Division
State Board of Equalization

Dear Mr. Knudsen,

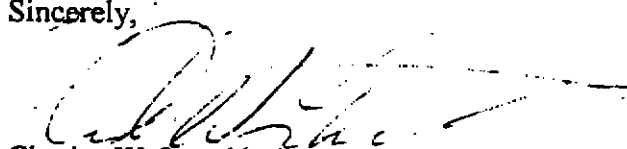
In accordance with section 15645 of the California Government Code, please find enclosed my response to the recommendations made by the State Board of Equalization Assessment Practices Survey Team regarding Plumas County.

I would like to express my appreciation for the professionalism and courtesy extended to my staff during the survey process, especially given the tight workspace, new computer processes and high work volumes.

You will find that I concur with many of your recommendation and have already begun to implement them. Many of the other recommendations, even though we agree with them, may be impossible to implement or take longer than desired due to our current staffing levels and shortness of workspace.

I would also like to take this opportunity to thank my staff for their hard work, professionalism and dedication to the Plumas County and its taxpayers. Their commitment to excellence in both the technical and customer service areas is greatly appreciated.

Sincerely,


Charles W. Leonhardt, Assessor

Response to Survey Recommendations

Recommendation 1: Use only BOE-prescribed property statements.

Of the 52 prototype forms provided by the State Board of Equalization, 7 forms found in the office were outdated. While these forms are not typically used in our office, they have been updated.

Recommendation 2: Include the section 533 notation on the current year's assessment Roll for escaped assessments.

The Plumas County Assessors Office is currently using the Megabyte Property Tax System to process and report our assessment roll changes. This notation should be carried within the electronic storage medium and transmitted to the bills. We have taken steps to correct this problem.

Recommendation 3: Comply with the county's low-value ordinance.

The Assessor acknowledges the Board's concern regarding uniform application of the low value ordinance. The specific property type under discussion is unsecured mining claims. Historically this office has billed these low value assessments based upon input from the mining claimants who desire to pay these tax bills as a method of evidencing ownership of claim. This deviation from the low value ordinance has been with taxpayer service in mind, as strange as that may seem. The Assessor agrees to review this policy in the future.

Recommendation 4: Review all private uses at the county fairground.

We concur with the Board's finding and will consider implementation as budget and staffing allow.

Recommendation 5: Develop a tracking system to recognize reappraisable possessory interests.

We concur with the Board's finding and are taking steps to implement a tracking system.

Recommendation 6: Add the present worth of the unpaid future contract rents for the estimated remaining term of possession to the sales price of a possessory interest as required by Rule 25.

We concur with the Board's finding and have instructed Staff to comply with rule 25.

Recommendation 7: Identify the specific agencies that have jurisdiction of lands owned by the federal government or state government.

We concur with the Board's recommendation. This condition is the result of the policy of many assessors' past. We have changed current policy to track these ownerships prospectively as changes occur. Extensive human resource hours will be necessary to research and enter data for the existing governmentally owned parcels. We will consider implementation of this recommendation as budget and staffing permit.

Recommendation 8: Enroll all taxable properties owned by government agencies that are located outside the agencies' boundaries.

We concur with the Board's recommendation in concept. We will research these properties and determine the applicability of Section 11.

Recommendation 9: Enroll a taxable value for unpatented mining claims that is the lesser of the factored base year value or current market value.

We thank the Board for recognizing the difficulty in establishing market value for these primarily recreational interests. While the income approach would clearly be an ideal way to value these properties, the inability to establish the amount of reserves, and the fact that most claims are used for non-commercial personal recreation purposes. By the same token the market approach is difficult to employ as most claims are transferred by abandonment by one miner and subsequent filing by a new miner. This does not meet the terms of an arms length transaction necessary for the market approach. Additionally when arms length sales do occur, they are sparse and are dispersed over many very different drainages with unknown reserves. Unlike commercial mining ventures, ore sampling is not typical prior to a purchase or filing on these recreational claims.

While the current system is not ideal in terms of appraisal theory, it has been accepted by the taxpayers since implemented by a prior assessor some time before 1983.

The current Assessor and staff will endeavor to research and if appropriate implement a better system as budget and staffing allow. The Assessor welcomes more specific suggestions from the Board.

Recommendation 10: Follow the procedure specified in Property Tax Rule 469 when valuing mineral properties in production.

We concur with this recommendation and utilize Rule 469 on properties to which we believe it to apply. Currently the majority of our mineral properties are sand and gravel operations within stream beds. These properties are typically purchased due to the renewability of the resource. In these cases it is our opinion that Rule 469 is not appropriate.

Recommendation 11: Comply with Property Tax Rule 261 when applying a section 463 penalty.

Our current tax bills do refer to the Section 463 penalty when it has been applied. Reference to the penalty is also made in the electronic note portion of the computer software program. To have the penalty noted on a printed assessment roll will require a programming change. We have contacted our software vendor.

Recommendation 12: Audit all locally assessed water companies meeting the mandatory audit criteria of section 469.

We concur and will make this change.

Recommendation 13: Institute non-mandatory audit program.

We concur with this recommendation. Current staffing, budget, workload and office space constraints do not make it possible to implement this recommendation at this time. We will however attempt to develop this program as budget, space and staffing allow.

Recommendation 14: Use the *Aircraft Bluebook Price Digest* as the primary guide to valuing aircraft.

Plumas County assesses approximately 45-50 relatively low value aircraft each year including one helicopter. We acknowledge that the Aircraft Bluebook Price Digest is a comprehensive cost service, which addresses a wide array of aircraft and accessories including helicopters. Our current resource is listed with the State Board as an acceptable resource, just not the recommended primary resource. For Plumas County's limited valuation needs, this service appears adequate with exception of the valuation of the helicopter. We work with another agency to accommodate that need. It has been felt that we are doing a service to the Plumas County taxpayers at large by saving 50% in cost by using the current service which is approved by SBE over the recommended more comprehensive and expensive version. The assessor agrees to review current policy, however acknowledges the need by government to employ good fiscal practices so long as the quality of the assessment product is not impaired.

Recommendation 15: Train appraisal staff to use the *National Automobile Dealer's Association Manufactured Housing Appraisal Guide* when assessing manufactured homes.

The assessor agrees and will implement this recommendation.

BOE'S COMMENTS ON ASSESSOR'S RESPONSE

In accordance with the provisions of Government Code section 15645, the Board's staff has elected to comment on the assessor's response.

Recommendation 10: Enroll a taxable value for unpatented mining claims that is the lesser of factored base year value or current market value.

Assessor's Response:

We concur with this recommendation and utilize Rule 469 on properties to which we believe it to apply. Currently the majority of our mineral properties are sand and gravel operations within stream beds. These properties are typically purchased due to the renewability of the resource. In these cases it is our opinion that Rule 469 is not appropriate.

Rule 469 applies to all mineral properties, including renewable sand and gravel properties. We agree that in cases where the reserves are renewed, purchasers of such properties may assume there will be no net depletion from year to year. However, for property tax purposes Rule 469 requires that the base year value of the reserves must be adjusted to reflect the values of removed and added reserves. Accordingly, simply factoring the original base year value of such a property does not conform to regulatory requirements.